Health Insurance Reform and Medicare:

Making Medicare Stronger for America's Seniors

President Obama is committed to protecting and strengthening Medicare for America's seniors. Medicare is a sacred trust with America's seniors and the President's health insurance reform plan will ensure that trust is never broken.

Health insurance reform will improve the quality of care in Medicare, reduce costs for seniors, and make sure Medicare is there for them in the future. Unfortunately, many seniors have heard misinformation regarding health insurance reform. This report sets the record straight.

How will reducing subsidies to Medicare Advantage plans affect me?

Problem with the Status Quo:

The government is overpaying private insurance companies. Part of the recent rise in Medicare costs – and in premiums for seniors – stems from extra subsidies to private insurance companies. Medicare Advantage is part of the Medicare program that allows beneficiaries to receive services via private plans. Policy changes, particularly in 2003, ratcheted up payment levels to private plans. The federal government pays private insurance companies on average 14 percent more for providing coverage to Medicare Advantage beneficiaries than it would pay for the same beneficiary in the traditional Medicare program. This overpayment is as high as 20 percent in certain parts of the country.[1]

The overpayments do not necessarily improve quality. There is no evidence that this extra payment leads to better quality for Medicare beneficiaries.[2] Insurers, not seniors or the Medicare program, determine how these overpayments are used – and this includes marketing, profits, and other administraive costs.[3] This means that seniors do not always get the full overpayments back in the form of extra benefits or improved quality care. In fact, because Medicare Advantage plans have flexibility to determine their own cost-sharing arrangements, seniors can end up spending *more* out-of-pocket under a Medicare Advantage plan, not less.[4,5]

Private plans contend that low-income and minority Medicare beneficiaries disproportionately rely on Medicare Advantage for benefits and that eliminating the overpayments would hurt them. In fact, most low-income, minority seniors obtain additional coverage through Medicaid, not Medicare Advantage. These "dual eligible" beneficiaries receive cost-sharing protection and extra benefits through the Medicaid program.[6]

All seniors in Medicare subsidize private insurance companies. Overpayments to Medicare Advantage plans are a burden for all of America's seniors. *All* Medicare beneficiaries pay the price of these excessive overpayments through higher premiums – even the 78 percent of seniors who are not enrolled in a Medicare Advantage plan.[7] In fact, these subsidies will add $3.60 per month to premiums for all Medicare beneficiaries in 2010.[8] This means that a typical couple in traditional Medicare will pay on average nearly $90 more next year to subsidize private insurance companies that do not provide their Medicare benefits.

Source [8]

The overpayments will make Medicare go bankrupt sooner. The Centers for Medicare & Medicaid Services (CMS) estimates that Medicare Advantage overpayments will push the Medicare Trust Fund into bankruptcy 17 months earlier than if the overpayments did not exist.[9]

Health Insurance Reform Solution:

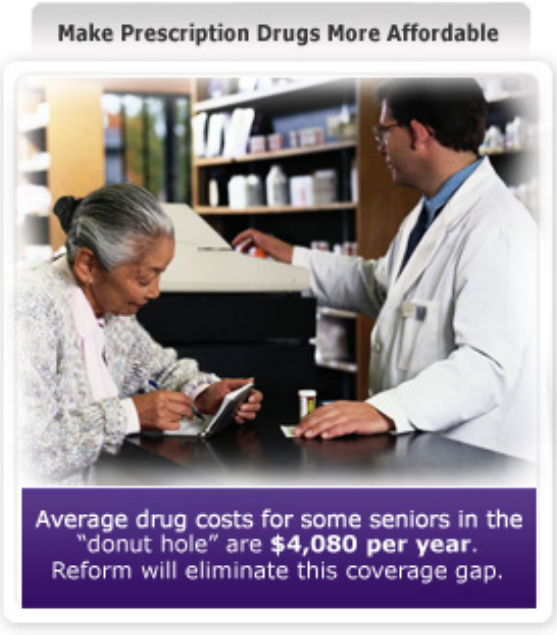
Eliminate the overpayments. Eliminating excessive government subsidies to Medicare Advantage plans could save the Federal government, taxpayers, and Medicare beneficiaries well over $100 billion over the next 10 years.[10] This will extend the life of the Medicare Trust Fund and make sure that Medicare is always there for America's seniors. Reform will also ensure that the dollars in the Trust Fund go toward improving the quality of care for all seniors, rather than to support the operations and profits of private insurance companies.

How will health insurance reform make my care more affordable?

Problem with the Status Quo:

Seventy-eight percent of senior citizens are worried that, some day, either they or someone they know might incur a health care cost that wouldn't be covered by their health insurance.[11] It has been estimated that the typical older couple may need to save $300,000 to pay for health care costs not covered by Medicare alone.[12]

Prescription drug costs are too high. Rising drug costs create a growing strain on America's seniors. A drug benefit was added to Medicare in 2006, but it includes a coverage gap commonly called the "donut hole." In 2007, over 8 million seniors hit the "donut hole." For those who are not low-income or have not purchased other coverage, average drug costs in this gap are $340 per month, or $4,080 per year.[13] Evidence suggests that this coverage gap reduces drug use, on average, by 14 percent[14] – posing a threat to the management of diseases like diabetes or high blood pressure.



Source [13]

Health Insurance Reform Solution:

Make prescription drugs more affordable in the donut hole. Health insurance reform will close the coverage gap in Medicare Part D over time, so seniors do not have to worry about losing coverage for their drug costs. While the closure is phased in, health insurance reform will also provide seniors with a discount of 50 percent for their brand-name medication costs in the coverage gap, saving thousands of dollars for some seniors.

Problem with the Status Quo:

Prevention costs seniors money and is underused. Many seniors do not receive recommended preventive and primary care, leading to less effective and more expensive treatments. For example, 20 percent of women age 50 and over did not receive a mammogram in the past two years, and 38 percent of adults age 50 and over have never had a colonoscopy or sigmoidoscopy.[15] Seniors in Medicare must pay 20 percent of the cost of many preventive services on their own. For a colonoscopy that costs $700,[16] this means that a senior must pay $140 – a price that can be prohibitively expensive.

Health Insurance Reform Solution:

Make preventive services free. Under health insurance reform, a senior would not pay anything for a screening colonoscopy or other preventive services. Reform will eliminate any deductibles, copayments, or other cost-sharing for obtaining preventive services, making them affordable and accessible.

Problem with the Status Quo:

Preventable fraud and abuse raise Medicare costs. Fraud and abuse raise Medicare costs for all seniors and taxpayers. Beneficiaries pay the costs of Medicare dollars lost to fraud through increased premiums. At the beginning of September, the Department of Health and Human Services and the Department of Justice announced the largest health care fraud settlement in history; Pfizer agreed to pay $2.3 billion for illegal marketing practices. This historic settlement will return nearly $1 billion to Medicare, Medicaid, and other government insurance programs.[17]

Health Insurance Reform Solution:

Aggressively attack fraud and abuse. Health insurance reform will increase funding to fight fraud and abuse in Medicare, increase penalties for those found guilty, and impose tougher screening of providers to prevent those who have abused the program from providing care to beneficiaries in the first place. Current proposals to reduce fraud and abuse in health insurance reform legislation could save over a billion dollars over the next 10 years.[18]

Will health insurance reform actually improve my care?

Problem with the Status Quo:

There are persistent gaps in quality. Medicare currently does not place enough of an emphasis on improving quality of care. For example, nearly 20 percent of Medicare patients who are discharged from the hospital end up being readmitted within 30 days.[19] The Medicare Payment Advisory Commission (MedPAC) estimated that Medicare spent $12 billion on potentially preventable hospital readmissions in 2005, which would be more than $15 billion today.[20] And one in seven Medicare beneficiaries experiences a complication while in the hospital.[21] A renewed focus on health care quality and patient safety under health insurance reform will improve patient health and decrease preventable treatment costs.

Health Insurance Reform Solutions:

Improve quality and patient safety. Health insurance reform will move Medicare towards a system that rewards high-quality care. Reform will develop national priorities on quality, standardize quality measurement and reporting, and invest in patient safety. Hospitals will have financial incentives to avoid preventable readmissions. In addition, the rates of infections that develop in hospitals must be reported and disclosed to the public. And an investment in patient-centered research will empower seniors and their doctors with information on which treatments work and which don't, so they can make more informed decisions.

Invest in innovations in primary care. Health insurance reform will invest in innovative models of care such as "patient-centered medical homes" and "accountable care organizations" that rely on teams of primary care doctors, specialists, and nurses working together to coordinate and monitor a patient's care more effectively. These models are intended to encourage health care providers to better coordinate a patient's care, track prescriptions, avoid duplication of treatments or tests, and follow a patient's health progress. This will help improve quality of care, prevent medical complications, and reduce costs by keeping people healthier and out of the hospital.[22]

Problem with the Status Quo:

There is a persistent long-term care gap. Long-term care is also an area that is not currently affordable or accessible for many seniors. It is estimated that 65 percent of those who are 65 today will spend some time at home in need of long-term care services[23], which cost on average almost $18,000 per year.[24] However, contrary to popular belief, Medicare and most private health insurance policies only pay for long-term care for a short period of time, meaning that most people pay out of their own income or assets.[25]

Health Insurance Reform Solution:

Make long-term care services more affordable. Health insurance reform will create a new voluntary long-term care services insurance program, which will provide a cash benefit to help seniors and people with disabilities obtain services and supports that will enable them to remain in their homes and communities.

Will I have a choice of doctor?

Problem with the Status Quo:

Imminent doctors' payment cut will limit access. In a recent poll, two-thirds of Americans age 50 years and older said they are somewhat or very concerned about how the current system limits their ability to see the doctor of their choice.[26] Because of a flawed system for paying physicians, Medicare is scheduled to reduce its fees next year. This would result in a 21-percent cut in payments beginning on January 1, 2010. According to a recent survey by the American Medical Association, 60 percent of physicians report that, if Medicare payments are cut by even half that amount (or 10 percent), they will reduce the number of new Medicare patients they will accept, and 40 percent will reduce the number of established Medicare patients they treat. In addition, more than two-thirds of physicians will forgo investments in their practice, including the purchase of health information technology.[27] This all translates to decreased access to needed services for our nation's seniors.

Health Insurance Reform Solution:

Eliminate the physician payment cut and invest in care innovation. Health insurance reform, at a minimum, will eliminate the 21-percent physician payment cut scheduled for 2010, ensuring that physicians will still be able to care for seniors, and it will also include comprehensive reforms to reward higher quality and better patient outcomes. Investing in care innovations such as patient-centered medical homes can increase physician participation in Medicare and improve both physician and patient satisfaction.[28]

Problem with the Status Quo:

Access to care in rural and underserved areas is jeopardized. Difficulty accessing a provider is more pronounced in rural areas, where almost one in four Medicare beneficiaries lives.[29] Currently, approximately 12 million seniors lack access to a primary care provider because of shortages in their communities.[30] Beyond primary care, there are also shortages of providers in other health care fields, such as dentists and mental health providers,[31] which affect the ability of seniors to obtain care when they need it.

Health Insurance Reform Solution:

Invest in the health care workforce. Reform will invest in the health care workforce to preserve the relationship between doctors and their patients and to ensure that America's seniors will always have access to a choice in providers. Reform will expand the health care workforce in currently underserved areas, including rural areas, through programs such as the National Health Service Corps. It will invest in not just training physicians, but also nurses, dentists, mental health providers, and physician assistants, to provide millions of seniors access to services that are not easily accessible today.

Will Medicare be there for me in the future?

Problem with the Status Quo:

Medicare faces bankruptcy. According to the Medicare Trustees 2009 report, the Medicare Part A Trust Fund will be exhausted by 2017. The financially unstable future of Medicare could mean that many seniors would face reduced benefits, higher premiums, and/or increased cost-sharing through high deductibles and co-payments if action is not taken now.[32]

Source [32]

Health Insurance Reform Solution:

Extend the life of the Trust Fund. Health insurance reform will extend the life of the Medicare Trust Fund by an additional four to five years[33] – and delivery system reforms included in health insurance reform have the potential to keep the Trust Fund solvent even longer into the future.

Reduce wasteful spending. Health insurance reform will also reduce overpayments to private plans and clamp down on fraud and abuse to strengthen Medicare for all seniors. Coupled with improvements in the quality of care, expansion of the health care workforce, and reductions in out-of-pocket costs, health insurance reform will ensure that Medicare will continue to provide the high-quality, affordable coverage that America's seniors deserve and expect.

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